



Australia: Automotive Parts and Accessories

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Summary

This report outlines the market for parts and accessories for motor vehicles classified under HS Code 8708. It encompasses both OEM and aftermarket parts.

The Australian Federal Chamber of Automotive Industries identified that for the fiscal year 2006-07 the automotive market reached a record 1,004,097 new cars sold. This is the first time that vehicle sales have been exceeded 1 million in 12-month period in Australia. This is significant as demand for auto parts and accessories is linked closely to the sale of new motor vehicles.

The automotive parts and accessories sector in Australia is currently booming. In April 2007, Australian parts and accessory imports from the U.S. were valued at \$657.27 Million, which is an increase of 4% from 2006.

Market Demand

Australians are purchasing new motor vehicles more than ever before, which illustrates the great value and choice which consumers now enjoy. This growing trend also identifies the need for increased automotive parts and accessories.

There are two distinct segments of the market for the motor vehicle wholesale parts industry: the manufacturing segment and the aftermarket segment. Demand in the manufacturing segment – original equipment manufacturers or OEMs -- is determined by the production levels of motor vehicles and can be described as cyclical, corresponding to design changes or new vehicle platforms.

Demand in the aftermarket segment, the largest component of the auto parts sector, derives from existing passenger motor vehicles, freight motor vehicles and Government motor vehicles. Users of passenger motor vehicles include households and private businesses (including taxis and buses). Freight vehicles can be segmented into light, medium and heavy, with each segment requiring different types of products. Government users include passenger fleets, commercial fleets and buses.

Movement in real household disposable income is a strong determinant of retail demand for aftermarket automotive parts. For the commercial and freight sectors, demand is a function of private sector capital spending, fleet management and procurement cycles. Public sector or government demand is driven by their unique funding cycles and the state of public finances (budgetary resources). As a consequence, demand for soft parts, such as accessories, can be described as volatile.

Market Data

Wholesalers that service the aftermarket segment, import nearly 50 per cent of products. These products compete with OEM branded original equipment, which in most cases are distributed by the major carmakers. Most of Australia's imported motor vehicles parts are sourced from Taiwan, Korea, Singapore, Malaysia, Thailand and -- more recently -- China.

This industry can be segmented into suppliers to the motor vehicle manufacturing sector and suppliers to the aftermarket. Please refer to the table below. The aftermarket segment is the largest and is estimated to represent 75 per cent of the market. A growing sub-segment in the aftermarket is the wholesale of four-wheel drive parts and accessories. Nearly 180,000 four-wheel drive vehicles are sold each year.

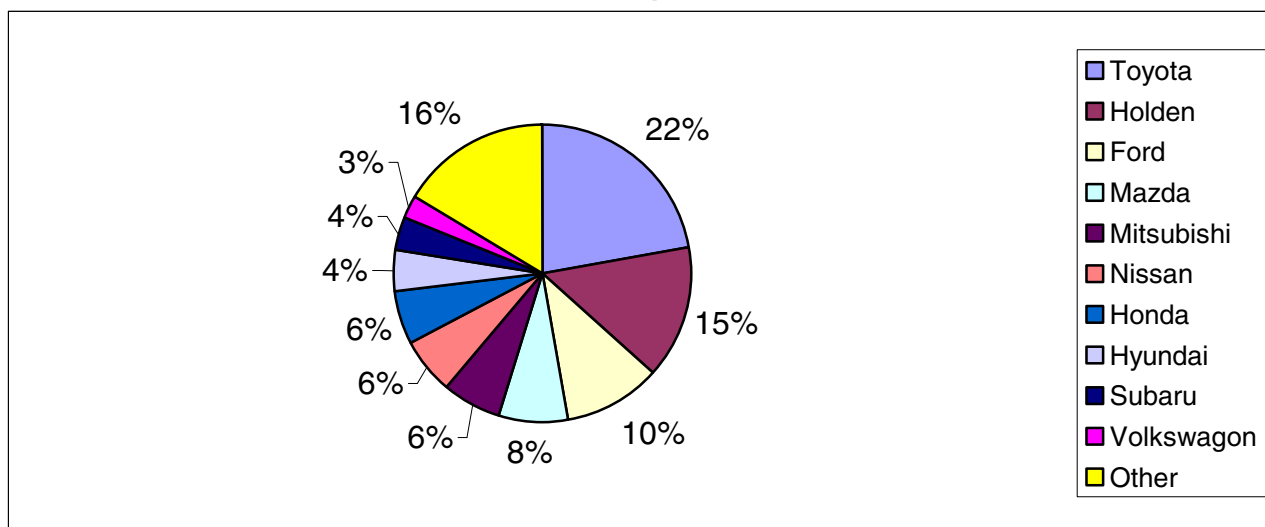
Product/Services	Share
Other motor parts and accessories	27.0%
Tyres and batteries	26.0%
Industrial Machinery parts	26.0%
Electrical components	21.0%

The Australian automotive parts market is well supplied and mature. A recent spate of consolidation by acquisition among suppliers has distilled the industry even further, and the cost of market entry for a new brand in the face of established competition is high. These factors have discouraged new entrants as well as any meaningful spending on R&D and new product development.

In general, sales channels for the automotive parts industry are fragmented; a large number of small independent stores supply the market. However, automotive parts franchises also play an important role. As an example, National Parts has its own franchise network of 170 automotive retail stores under the name Autopro, but, again, it is the only automotive franchise with a presence in all Australian states. Industry sources expect that there will be a 'shakeout' in the industry as the larger players acquire the independent operators who are finding it difficult to compete.

The Australian automotive sector has been riding a wave of success since 2001 with new car sales increasing by over 30 per cent. For the first time in Australia, car market sales surpassed 1 million in a 12-month period in the past financial year, with sales reaching 1,004,097. Sales have increased across almost every sector and every brand, including large cars. This represents a growing market for auto parts and accessories especially for components. In particular, parts that are compatible with Toyota vehicles have opportunity. Toyota enjoys the largest market share and is the leading brand in the Australian market. In the past financial year, sales of Toyota vehicles exceeded 225,000 vehicles.

Australia's Top Ten Makes



Australian consumers have also increased their purchases of imported vehicles due to their lower prices and fuel efficiency. This trend has in turn fed a rise in sales of imported parts.

The Australian automotive industry is moving to lower tariffs on vehicles and associated parts and less Australian government assistance. The automotive tariff on passenger vehicles was reduced to ten per cent on January 1 2005 and will fall to five per cent in 2010. Government assistance to the industry in this form will cease in 2015 when the transition to lower tariffs will be complete. By the time government support to the automotive industry ends in 2015, it will have totaled \$4.2 billion.

Best Prospects

There are a number of opportunities for U.S. companies supplying automotive parts to the following segments: small car market, light trucks, SUV and high performance.

Small Passenger Vehicles: Year to date (June 2007) sales of passenger vehicles has increased by 8.7% in comparison to 2006. This reflects a continuing trend within the Australian market with consumers favoring small, fuel-efficient vehicles over the traditional six-cylinder Australian made Holden Commodore and Ford Falcon. Increased demand for smaller vehicles (and associated parts) has been driven by rising fuel costs, increased living costs, growing insurance and registration premiums, and falling prices of imported models due to lower tariffs and the strength of the Australian dollar. As a result of this increase in demand, related automotive parts will be required in greater supply.

Light Trucks: Within Australia the light truck market includes a variety of vehicle types; in total the market has risen by 5.1% in year to date terms. However this growth is being driven solely by the Pick-Up/Cab Chassis 4X4 segment, which rose by 23.5% alone and all other vehicle classifications within the market decreased. Therefore within the light truck market the best prospect will be Pick-Up/Cab Chassis 4X4 vehicles.

Sports Utility: The June 2006 Sports Utility Vehicle Market increased by 887 (4.9%) vehicle sales in June 2007. This signifies that this sector will require an increase in the amount of parts and accessories in order to accommodate this rise.

Performance Parts: Parts relating to motor reconditioning are being sort after with Australian consumers preferring US parts to Asian automotive parts in relation to quality. Although, it should be mentioned that Australian consumers continue to purchase Japanese and Chinese parts due to their lower cost. The aftermarket parts segment is seen to be less volatile however it is very competitive due to reduced tariffs.

Key Suppliers

The key suppliers of automotive parts and accessories within the Australian market are U.S. companies, followed closely by Japanese companies. Combined, these countries maintain a 44% market share within the Australian automotive parts and accessories market. U.S. market share has increased over the past 3 years, whilst Japanese sales have remained reasonably steady. Similar to other industries, imports from China and Thailand have also recently recorded substantial growth within the market.

Imports: HS Code 8708 – Automotive parts and accessories for motor vehicles

		Millions \$U.S.			% Share		% Change	
Rank	Country	2005	2006	2007	2005	2006	2007 - 07/06	-
0	Total	606.03	556.27	657.57	100.00	100.00	100.00	18.21
1	United States	143.26	127.10	159.07	23.64	22.85	24.19	25.15
2	Japan	128.51	132.29	134.25	21.21	23.78	20.42	1.48
3	China	23.64	31.84	60.93	3.90	5.72	9.27	91.35
4	Germany	40.21	52.53	56.49	6.64	9.44	8.59	7.54
5	Thailand	17.39	19.66	44.40	2.87	3.53	6.75	125.85
6	Korea, South	25.17	18.97	24.94	4.15	3.41	3.79	31.46
7	Taiwan	22.02	20.10	22.31	3.63	3.61	3.39	10.99
8	Sweden	25.96	18.16	18.88	4.28	3.26	2.87	3.98
9	Mexico	28.44	18.44	16.52	4.69	3.32	2.51	-10.41
10	United Kingdom	14.64	13.41	13.79	2.42	2.41	2.10	2.80

World Trade Atlas April 2007

Exchange Rates 2005: 0.75, 2006: 0.77, 2007: 0.86

Japanese products are the biggest competitors to the U.S., with brands such as Toyota. There are a large number of Australian firms producing components for the replacement and accessories markets. These include GM Holden Ltd, Ford Motor Company Australia Ltd, Repco Corporation Ltd, Robert Bosch Australia Ltd and Bridgestone Australia Ltd.

Competition within the industry is based on quality of products, timeliness of delivery and price. It is therefore essential that component producers are able to differentiate their products and provide market leading customer service. During phases of declining demand, price competition becomes intense. Expenditure on customer service increases considerably as businesses fight to keep their customers during a situation, where lower prices are evident.

External competition results from the used parts segment, which is derived from the motor vehicle wreckers industry. Motor vehicle wrecker's presence is evident now more than ever, where they compete effectively against new products, especially during periods of economic slowdowns. The motor vehicle wreckers industry has also become increasingly sophisticated in sourcing and distributing second-hand parts. It has been sourcing from overseas especially from Japan, where the scrappage rate of vehicles is much higher than Australia.

In Australia, 35 companies supply about 75 per cent of the local content. This figure excludes engines and body panels and some major plastic items (such as bumper bars), which are manufactured by the vehicle assemblers in Australia (Toyota, Mitsubishi, Ford and Holden). The remaining 25 per cent of local content are sourced from approximately 170 businesses that are not all dedicated to the automotive industry. Thus, foreign firms entering the Australian market need to consider the existing suppliers and be able to differentiate their products from the Australian producers current offerings.

It is also important to note the growing importance of the Internet in offering visual product catalogs and as a wholesale and retail sales channel.

Prospective Buyers

A breakdown of new motor vehicle sales by type of buyer indicates who would also be buyers of car parts. In 2003, sales to fleets accounted for 49.9% of vehicles and sales to private buyers accounted for 50.1 per cent of the total sales. Of the fleet sales, government accounted for 12 per cent. This indicates that fleet and individual retail buyers are near equivalent sources of demand for automotive parts.

Market Segment	Share
Private buyers	50.0%
Private fleet buyers	38.0%
Government fleet buyers	12.0%

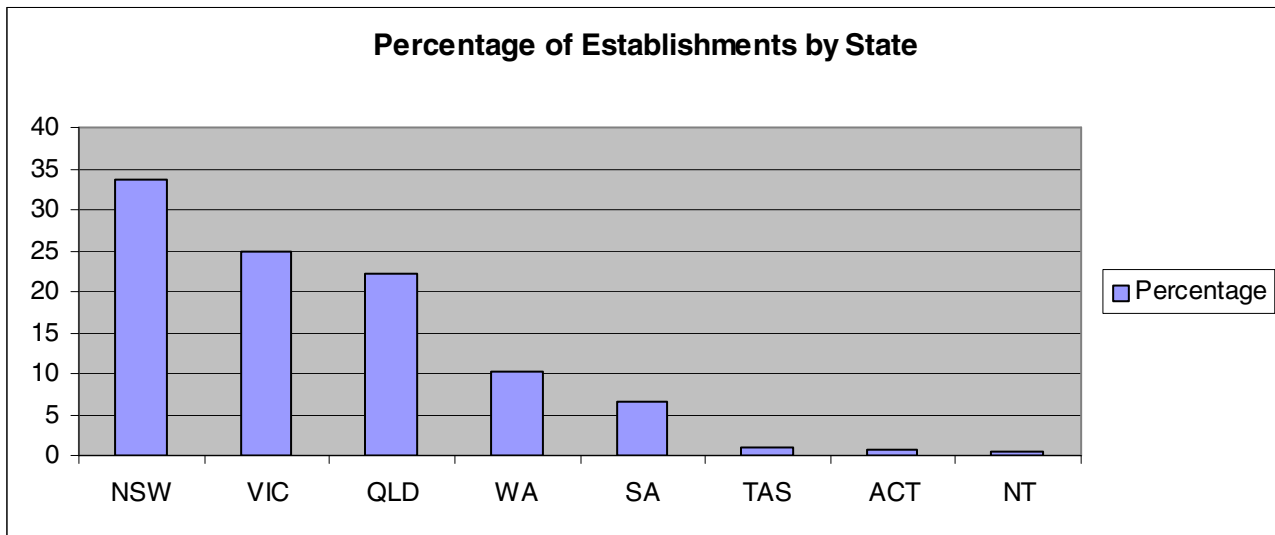
Within the Australian auto parts and accessories market there are two clear segments: the manufacturing segment and the aftermarket segment. The aftermarket segment is the largest segment and represents a large proportion of the prospective buyers. This segment includes passenger motor vehicles, freight motor vehicles and also government motor vehicles. As a result, public and private sector demand can influence demand for auto parts in relation to freight and government motor vehicles. Demand can also be affected by the number and age of vehicles which are being used.

The two key market segments within this industry are local motor vehicle assemblers and wholesalers/retailers. Combined these two segments make up 90 per cent of the market. However, sales to the motor vehicle assemblers may decline due to the continued decreased in sales of Australian produced large cars, such as the Ford Falcon and the Holden Commodore.

Prospective buyers of automotive parts and accessories in Australia may also include wholesalers, distributors and resellers. Included in these categories are retail outlets and also motor mechanics and service centers. Along with this the four motor vehicle producers in Australia (Ford, Holden, Mitsubishi and Toyota) are sourcing an increasing number of the component parts from overseas suppliers. For example, Holden is to lower the local content in its new VE Commodore from 75 per cent to 55 per cent. This has come about in part due to the reduction in the requirements for local content.

Consumers in this industry are savvy and readily available information about price and competitors, allows them to decide upon the part they require and the price they are willing to pay prior to purchase. The level of competition between retail outlets in metropolitan areas is generally greater as consumers have better access and more variety of stores to choose from. The price of the part, dealer's or manufacturer's reputation, and quality of after-sales service are also influencing factors.

The geographic distribution of auto parts sales reflects the distribution of motor vehicles by State and Territory. The largest states are New South Wales, Victoria and Queensland. In 2005, New South Wales owned 4.2 million vehicles followed by Victoria with 3.6 million and Queensland with 2.8 million.



(NSW = New South Wales, VIC = Victoria, QLD = Queensland, WA = Western Australia, SA = South Australia, TAS = Tasmania, NT = Northern Territory).

Market Entry

Australia and the United States enacted a Free Trade Agreement (FTA) on January 1, 2005. As a result, import duties on more than 99 percent of automotive products have been eliminated. Prior to January 2005, the average tariff on automotive products was five percent. Under the FTA, these goods are now duty free or will be phased down on a linear basis to 0% by 2010.

It is essential that U.S. companies undertake market research before they enter the Australian market. The U.S. Commercial Service in Australia invites American companies to contact its offices in Sydney or Melbourne to discuss both industry developments and individual market strategies.

In addition, companies with a strong interest in supplying the Australian automotive market should consider attending local trade shows which present excellent opportunities to showcase products, as well as view competitor products. The U.S. Commercial Service is happy to recommend and assist international visitors with Australian trade shows and expos.

Market Issues & Obstacles

The Motor Vehicle Standards Act requires vehicles and associated parts to meet the national standards that cover a variety of safety and emission requirements. These national standards are currently known as the Australian Design Rules (ADRs).

The ADRs specifically set out design standards for vehicle/bike safety and emissions including noise. They are developed through a consultative process involving government, industry, employee and consumer representatives. The ADRs are national standards and use United Nations vehicle categories and are harmonized to a considerable extent with international standards.

U.S. companies should note that many performance products and accessories are regulated at the state level in Australia (e.g. aftermarket steering wheels, seating, lighting, exhaust, body kits and wings).

A full list of the ADRs is available on CD-Rom from the Department of Transport and Regional Services (DOTARS) for a fee. U.S. companies interested in acquiring a copy of this CD-Rom or are interested in obtaining further information on vehicle regulations should contact Kate Wilkie at the U.S. Commercial Service in Melbourne, Australia. Contact details are at the end of this document.

Australia strictly protects its unique environment against exotic pests and diseases. Australian Quarantine and Inspection Service (AQIS) inspect incoming luggage, cargo, mail, animals and plants and their products, and provide inspection and certification for a range of exports, including second hand automotive parts. Thus some U.S. companies may have to comply with the AQIS standards. (www.aqis.gov.au).

From July 1, 2000 the Goods and Services Tax (GST) was introduced. Therefore U.S. companies will also need to consider that a 10% goods and services tax will be applicable to all automotive parts and accessories inclusive of landed costs and duties. While the responsibility to pay GST to the Australian Taxation Office lies with the producer/supplier, it is the consumer who finally bears the GST cost. The importer pays the GST to the Australian Customs Service.

Trade Events

- **Australian International Motor Show,**
Date: October 11-21, 2007,
Location: Sydney Convention & Exhibition Centre.
Frequency: Annual
Exhibition Organizer: Exhibitions & Trade Fairs Pty Ltd, Robby Clark, Event Manager
Tel: 61 2 9556 7999
Fax: 61 2 9282 5525
Email: aims@etf.com.au
Website: <http://carsguide.news.com.au/aims/>
- **The Australian Auto Trade Fair 2008,**
Date: TBC, 2008
Location: Sydney Exhibition and Convention Center
Frequency: Annual
Exhibition Organizer: Expertise Events Pty Ltd
Tel: 61 2 94527575
Contact: Ross Hannan
Email: RossH@expertiseevents.com.au
Web Site: <http://www.autotradefair.com.au/sydney08.php> & www.expertiseevents.com.au
- **4WD Show**
Frequency: Annual
Exhibition Organizer: Exhibition & Trade Fairs Pty Ltd
Tel: 61 3 9321 6755
Fax: 61 3 9321 6751
Email: 4x4@eft.com.au
Website: www.4x4show.com.au

- **The Collision Repair Expo**

Date: April, 2009

Location: Sydney Exhibition and Convention Center

Frequency: Biennial

Exhibition Organizer: The Australian Automotive Aftermarket Association and Australia Exhibitors and Conferences

Tel: 61 3 9654 7773

Fax: 61 3 9654 5596

Email: info@aaaa.com.au or collision@aec.net.au

Website: <http://www.collisionrepair.com.au/>

- **The AAAA Trade Fair,**

Date: April, 2009

Location: Sydney Exhibition and Convention Center

Frequency: Biennial (alternates between Melbourne & Sydney)

Exhibition Organizer: The Australian Automotive Aftermarket Association and Australian Exhibitions and Conferences

Tel: 61 3 9654 7773

Fax: 61 3 9564 5596

Email: aaaa@aec.com.au

Web Site: www.aaaa.com.au & www.aec.net.au/aaaa

Resources & Key Contacts

- Australian Automotive Aftermarket Association: <http://www.aaaa.com.au/>
- Australian Federation of Automotive Products Manufacturers: <http://www.fapm.com.au/>
- Federal Chamber of Automotive Industries: <http://www.fcmai.com.au/>
- Invest Australia, San Francisco: <http://www.investaustralia.gov.au/>
- Auto Parts Recyclers Association of Australia (APRAA): www.apraa.com

For More Information

The U.S. Commercial Service in Melbourne, Australia can be contacted via e-mail at:

kate.wilkie@mail.doc.gov; Phone: 61-3-9526-5927 Fax: 61-3-9510-4660 or visit our website:

www.buyusa.gov/australia

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